

MEDIA OUTLOOK

What's ahead for buyers and sellers in '82

See Section 2



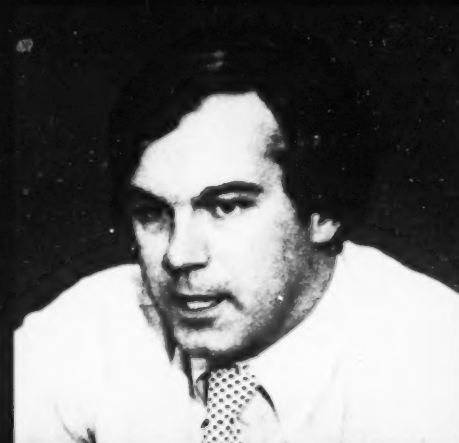
"Unless the economy really falls apart, media activity should be up, in the neighborhood of 13%."—Michael Drexler, Doyle Dane Bernbach



"... 12% to 13% growth. The whole country is more optimistic. I think 1982 will be a good year."—George S. Karalekas, D'Arcy-MacManus & Masius



"Figures I have seen indicate cable expenditures in '82 of \$88,000,000, double the '81 figures."—Kenneth Caffrey, Ogilvy & Mather



"As the cost of network tv [rises], small to medium size advertisers must look to ways to meet objectives."—Arthur E. Wilen, The Marschalk Co.

"I have a somewhat improved outlook about the change of management at NBC."—Alec Gerster, Grey Advertising

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4A's joins quest for demographic audits

By JENNIFER ALTER

CHICAGO—An organized group of agency representatives has added its muscle to the quest by a handful of publishers to convince the Audit Bureau of Circulations to require audits of demographic editions of magazines.

The consumer magazine committee of the American Assn. of Advertising Agencies, comprised of media execs from 15 agencies, has set the audit of demographic editions as its highest priority for the coming year.

Chaired by Campbell-Mithun vp-media director Arthur Edelstein, the committee is asking major publishers of demo editions, such as Time Inc. and Newsweek, to meet with them and explain why they are not conducting

audits.

"They charge us a healthy premium to deliver the audience and then they won't spend the money or time to verify the claim," says Mr. Edelstein. He added that his committee, which is unanimous in its feelings on the issue, represents eight of the top 10 agencies and consequently a large portion of magazine billings.

■ Mr. Edelstein said that if the outcome of the meetings with the publishers is unsatisfactory the committee will go to the Assn. of National Advertisers and possibly the Magazine Publishers Assn. to ask for their support in sending a formal proposal to ABC.

A spokesman for Time Inc. said the company would meet with the committee. However, he said, "We

think that the question of auditing demographic issues of magazines is a non-issue. We have indeed audited certain demo issues of Time, and we are fully satisfied that the circulation characteristics of the demographics do not differ from the magazine's over-all circulation." In particular, he pointed to number of subscriptions carried in arrears, number of subscriptions bought at the full rate and duration of subscriptions as areas where the results were consistent with Time's over-all figures.

The 5-year-old controversy is centered around a number of magazines with demographic editions that use their circulation numbers in selling advertising although those numbers are not audited. ABC currently audits total circulation.

(Continued on Page 94)



Kick for Cap

Newspaper ads for Beatrice Foods Co.'s new Cap 10 soft drink line position it as "the perfect adult thirst capper" containing "pure artesian mineral water," natural flavor and "all the kick of club soda without any of its added salts." Fortis Fortis Westerfield, Chicago, handles; tv also is being used. The five-item line is in test in Ohio markets (AA, Sept. 28).

Cable coalition fights on despite NCTA

By MAURINE CHRISTOPHER and RICHARD L. GORDON

"It's going to be one hell of a fight"—Steve Effros, executive director, Community Antenna TV Assn.

"We hope the Congress will conduct a thorough inquiry into the terms of this purported agreement as well as the method by which it was negotiated. We request public hearings so that its impact on the viewing public and competitors such as the superstation can be fully documented"—Ted Turner, chairman, Turner Broadcasting System.

"We want the [House judiciary subcommittee] to slow up and have hearings. Why should they rush so rapidly to change some-

thing that we worked on for 10 years at the Federal Communications Commission, which decided that syndication exclusivity is not in the public interest?"—Jeff Krumme, president of Mid-America Cable TV Assn.

■ Statements like these make it clear that opponents of a legislated return to an expanded syndication exclusivity curb to protect programs aired over conventional tv intend to continue to battle the major cable, movie and tv associations in hopes of staving off their proposed "compromise" rewrite of cable copyright rules.

The coalition strategy calls for an initial appeal to the House judiciary subcommittee headed by Rep. Robert Kastenmeier (D.,

Wis.), who has been pushing for fast action on this issue.

Despite a personal appeal by the father of superstations, Ted Turner, who has charged that the communications establishment is trying to change the rules to put him out of business, the National Cable TV Assn. board last week voted 15 to 11 to accept syndication restrictions in exchange for retention of the current copyright payment formula.

Later, CATA charged that NCTA will be representing only its predominant members, the big corporations in the big cities, many of whom are also in cable programming. CATA said their views should be heard, but it should be made clear that NCTA does not speak for the thousands of traditional cable

tv operators across the country. Mr. Effros, in a statement to subcommittee chairman Kastenmeier, said elimination of the distant independent tv signals could not be in the interest of the cable industry. And he noted that the compromise would require catv duplication of some over-the-air tv signals.

■ Tom Wheeler, president of NCTA, did not return phone calls to answer critics who accuse him of rushing this compromise through in a panic to placate the giant multiple systems operators. The board vote on the language approved by the NCTA executive committee was secret, and NCTA would not identify the four absent members of the board.

Finally, late Nov. 4, Mr. Wheeler released a three-page, single-spaced defense of the board's plan, likening it to a trip to the dentist to avoid something worse, in this case a Kastenmeier bill to limit the number of distant regular tv stations cable operators may carry. He said 80% of the country's systems will be exempt from syndication exclusivity and that mechanisms for relief will be provided for operators in unusual cases.

NCTA's board did promise Mr. Turner and the other opponents to this still-to-be legislated policy change to work to include an interim period sufficient to allow WTBS, Atlanta, the only aggressive superstation in the country, to reprogram periods hit by the syn-

(Continued on Page 98)

highlights

Monday, Nov. 9, 1981

The network news rating race is bubbling, and so are sales. See Page 6.

Chevrolet is taking another stab at postwar baby boomers with its November debut of the 1982 Citation. See Page 10.

J. Walter Thompson Co. is trying to reduce a short-term debt caused by clients who didn't pay within 30 days. See Page 20.

Marriage mail, a new direct mail concept that can saturate a designated area, may mean less dependence on newspaper advertising supplements for retailers. See Page 28.

Four A's says the new tax laws may bring some tax breaks to agencies in the future. See Page 46.

The U.S. Postal Service is getting some response from mobile-board advertising brokers interested in buying ad space on postal trucks. See Page 48.

The U.S. isn't ready for video deregulation, a staff report told the House commerce subcommittee. See Page 81.

A Young & Rubicam exec tells why Merrill Lynch's "Bullish on America" campaign appealed to the wrong target audience. See Page 82.

The New York Post is going ahead with plans for a Sunday paper. See Page 99.

Washington Post Co. sells the Trenton (N.J.) Times to Joseph Allbritton. See Page 99.

CORPORATE CLOSEUP

A series of changes instituted at Rubbermaid over the past decade culminated in a recent program that's turning the home products division into a package goods-style marketer. See Page 4.

FOLLOWUP

Wurzburger Hofbrau, Anheuser-Busch's German import, is consolidating its efforts in the Northeast and pulling out of the South and Midwest. See Page 24.

INTERNATIONAL

Hideharu Tamaru, president of Dentsu, "paid a visit to the grave of the late Hideo Yoshida, former president of Dentsu, and reported to his soul that they had, at last, carried out his wishes," when the agency's deal with Young & Rubicam was clinched. See Page 74.

Soccer, Italy's top national sport, has been responsible for the signing of the first accord be-

tween the state's giant RAI and a private tv station. See Page 78.

MAGAZINE

Beginning this week, ADVERTISING AGE Magazine introduces its Small Agency Panel, which will look at the problems and challenges facing today's small agencies. Over the next few months members of the panel, all top execs with agencies billing \$50,000,000 or less, will write about a certain challenge. See Page 53.

Every week marketers spend \$6,000,000 in advertising on daytime tv to reach a mythical mass market—the domestically oriented housewife, says Elizabeth Nickles, author of "The Coming Matriarchy—How Women Will Gain the Balance of Power."

RESEARCH

Audit services such as A. C. Nielsen Co. and SAMI won't be

hit hard by data generated by food store scanning. See Page 40.

VIDEOTECH

Mattel concentrates on fewer, but more promotable portable electronic games and intensifies Intellivision push. See Page 70.

Katz Agency's Partners in Programming gets the go-ahead, with a syndicated talk/magazine show in the works. See Page 12.

section 2

MEDIA OUTLOOK

Although the economy continues on its downward course, media buyers are cautiously optimistic about the buying and selling opportunities in their field. Section 2/Media Outlook presents the views of several prominent media execs and looks at trends in various media, beginning opposite Page 52.

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SMRB acquires 3 Sigma

NEW YORK—Simmons Market Research Bureau has a Simmons again. SMRB has acquired Three Sigma Research and its chairman, Willard (Bill) Simmons.

Mr. Simmons, who founded what is now SMRB, set up Three Sigma in 1974. He will continue as chairman and a new chief operating officer will be named, according to SMRB chairman Frank Stanton. The deal was for an undisclosed amount of cash.

Three Sigma does surveys on 180 newspapers and its reports are subscribed to by all major dailies. Simmons has done some newspaper research, but not on the scale of Three Sigma, Mr. Stanton said.

The last daily newspaper research study from Three Sigma was issued in September, 1980. Mr. Stanton said he will propose the next study be undertaken in early 1982 and completed the following December.

Five months ago, Three Sigma was on the verge of merging with Telmar Communications but that plan fell through because "Telmar decided it was not appropriate," Mr. Stanton said. "So they recommended Three Sigma to us." Three Sigma currently has 41 agencies subscribing to its data. #

OUT, OUT DAMNED INFLATION

As buyers learn to not want to live with inflationary-based cost increases, resistance will mount.

BY ROBERT J. COEN

In recent years consumers and industry have grudgingly accepted inflation as a fact of life. By the end of the 1970s annual price increases of 8% to 10% a year had become the norm rather than the exception. Now, after 10 years of learning to live with inflation, the pressures to get it out of the system are growing and there is hope that the pendulum will begin to move in the opposite direction.

Significant annual price increases will occur in advertising as well as in all other sectors of the economy but resistance to rises in the cost of media time and space is growing and rate increases in the future should begin to moderate.

A review of the past trends in annual price increases for typical economic and media indicators may shed some light on what we may expect for the future.

Prior to the 1970s inflation in the U.S. was a rare phenomenon. We had inflation when we had wars and in times of depression we experienced deflation, but for most of our history, prices remained the same from one year to the next.

In the first half of the '60s the annual inflation rate was just slightly over 1%. In the middle of the '60s the inflationary pace picked up to a rate of approximately 3.5% per year, driven partly by the Vietnam War and partly by growing worldwide demands for agricultural products and mineral resources which were beginning to affect our domestic prices.

These upward pressures persisted and inflation gradually reached an annual rate of about 5% until fall, 1973, when the Arab oil embargo was imposed followed by the doubling and tripling of energy costs. Double-digit inflation hit us for the first time in 1974 and 1975. Since then annual inflation rates have ranged between 5 1/4% in 1976 and 13 1/4% in 1980.

Inflation in consumer prices, the Gross National Product mix (GNP deflator)—considered by some to be a more accurate indicator of inflation—and advertising exposures (media cpms) have varied from year to year but in general they have all shown some correlation.

Broadcast media commercial time is perishable and highly responsive to short-term shifts in supply and demand. In the early part of the '70s, when inflation in the economy was beginning to rise fairly sharply, network and spot television cpms declined 5% to 6% then cigaret advertising was withdrawn from the broadcast media.

In 1976 when the economy turned upward and the election, Olympics and bicentennial year promotions added to demand, television prices soared. In 1977 following the bicentennial year boom there was an immediate slowdown in the relative demand for spot television and a corresponding falloff in prices. In 1977 the realized price increase for spot tv was only 3.4% during a year when consumer prices on average were up 6.5% and the GNP deflator 5.8%.

During the last six years the rates of other media have also risen quite rapidly in response to various inflationary pressures. Magazine rate increases in 1976 and 1977 lagged behind general in-

flation rates but by 1978 magazine prices were rising faster than most prices in our economy. The decline in advertising page volume for many publications in 1981 help explain moderating magazine rates that have appeared in the last 12 months.

Historically, newspaper ad rates have moved at practically the same pace as the general inflation rate. There may be exceptions in specific markets due to strikes or the arrival or departure of a competitive paper in the market, but in most markets the newspaper advertising rates rise almost automatically in relation to increases in operating expenses such as labor, distribution or newsprint costs.

In the years before the Vietnam War there was very little change in media rates from one year to the next unless something exceptional occurred. However, in recent years most media have announced annual price increases somewhere between 5% to 10% a year.

For some media these price increases have gradually grown to be a kind of automatic "cost of living" adjustment. Ad rates have been raised either because operating expenses have risen or because it has become a standard practice.

In the future we can expect growing resistance to rate increases. Many media will find it necessary to search for other sources of revenue or for ways to cut costs as buyer resistance hardens. Rates will continue to go up but not as fast as they have in the past.

The cumulative change that has occurred in the price of media units from the base year through each year from 1977 through 1982 are shown in the media unit cost trends table. These prices are continuously tracked and expressed in index form to allow easy comparison with government price indexes which currently are reported on a 1967 base year.

As an example of how to interpret the unit cost indexes, consider network tv with an index which has risen from 100 in 1967 to 330 in 1981. If a 30 second commercial had cost \$25,000 in 1967 it would cost \$82,500 in 1981—3.3 times the 1967 cost. In 1982 the index is estimated at 366 so we can expect the illustrative cost to rise again to a new level of \$91,500.

We also maintain these indexes in terms of the cost of 1,000 exposures delivered by a unit of advertising. Since most mass media audiences have risen since 1967 their cost per thousand indexes are all lower for 1981 and 1982 than their unit cost indexes.

Newspapers and network tv have registered the largest cumulative cost increases and although there are a number of factors that can explain this, the single most important is the supply and demand relationship.

In most markets only one dominant newspaper is available to supply the newspaper display space—traditionally the primary advertising medium of local retailers. There are only three national television networks and a limited number of prime time commercial positions—the primary advertising medium of many large nationwide marketers.

In the case of most of the other media, the vehicle choices are wider than they are for the primary media. In the long run, supply and demand determine price trends for

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Media CPM Trends

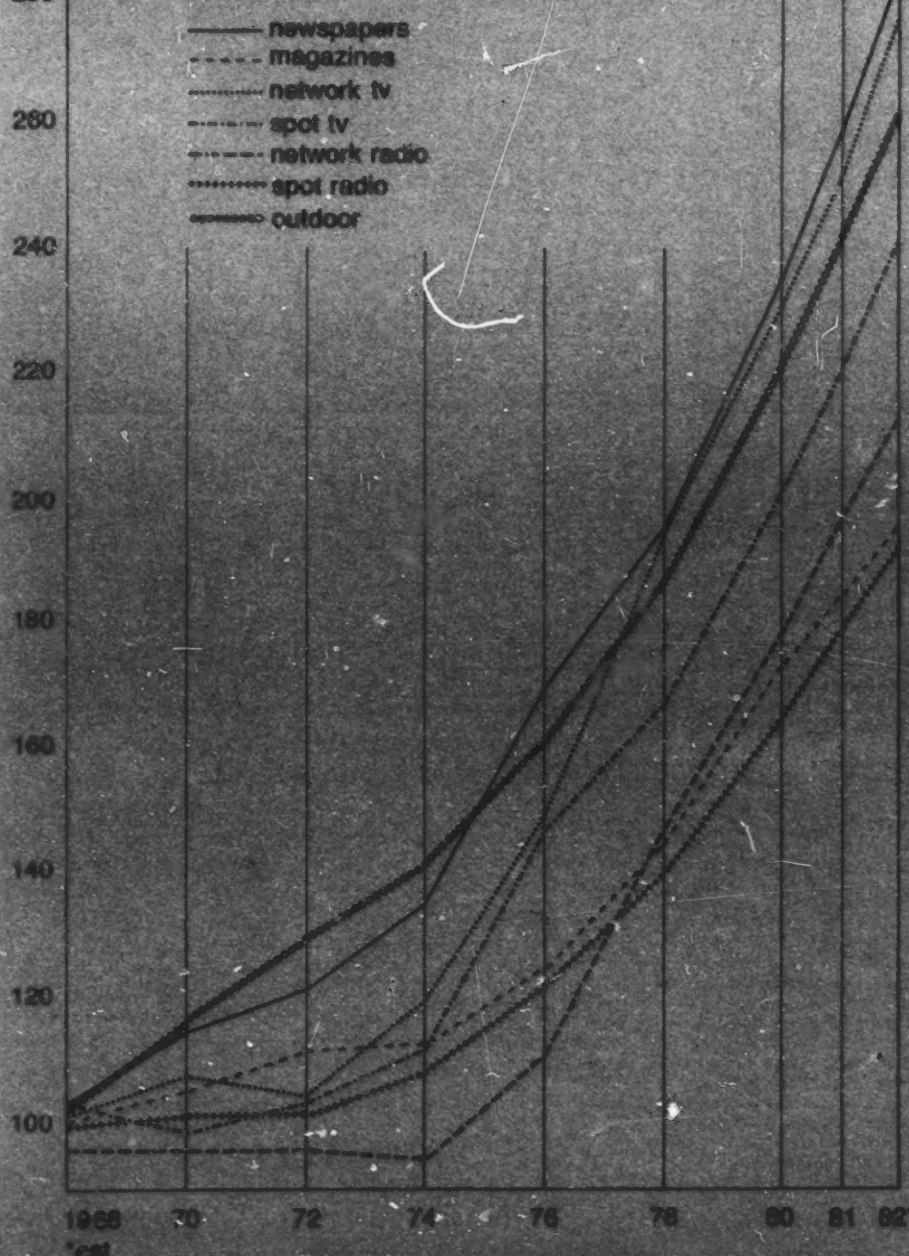
(1967=100)

	1978	1979	1980	1981	1982*
Newspapers	196	213	236	258	284
Magazines	145	158	173	185	196
Network tv	185	215	231	252	277
Spot tv	167	183	201	221	241
Network radio	147	161	178	187	213
Spot radio	140	149	164	179	192
Outdoor	167	202	222	242	261
Composite	179	185	212	234	254
National	173	189	207	226	245
Local	185	202	222	243	268

*Estimated

Media cost per thousand indexes

(1967=100)



Robert Coen is senior vp-director of media research for McCann-Erickson, New York. Mr. Coen frequently writes about media costs for ADVERTISING AGE.

Experts are optimistic but cautious

(Continued from Page S-1)
happen in the durable-goods sector of the economy when you consider that Detroit is now announcing 9% and 10% increases for 1982. Coupling that with the cost of fuel and cost of money—it may be premature to indicate what's going to happen, but our indications say, '10% to 11%.'"

■ "We are cautiously bullish about 1982," says George Karalekas. "We are talking in the area of between 12% and 15% growth. I think, really, during what's going to determine 1982 is going to be the first quarter, during which we will begin to feel the impact of some of what Congress has recently passed; the interest rates should begin to settle."

"But, even in spite of that, I think the whole country, right now, is really on a more optimistic note than it was. I think 1982 will be a good year."

Turning to the more specific matter of the outlook for billings at their own agencies in the coming year, the media execs are a bit more upbeat.

Against a background of early planning activity for 1982, the six of them see budget growth for their clients in the 13% to 16% range, with some indicating that even this ambitious a level may, in fact, be a minimum.

What are the reasons for this expected upsurge in advertising activity?

Among them are heightened activity on the new products front, increased momentum for rollouts, new line extension plans and—expectedly—the always optimistic presumption that the new business aspirations of an alert, aggressive

ming from our optimistic view of the economy generally at this juncture, we think that a lot of our categories in the other areas of durables and service businesses should be up as well."

"We are projecting a 15% increase in media billings," says Arthur Wilen. "Part of that 15% increase, obviously, comes from

our largest accounts are package goods, which offer a solid base as far as increases and as far as billings steadiness go.

"We also have a lot of retail—a lot of very locally-oriented businesses—and you have to look at this category of business as one of the bright spots in the economy so far."

"We're dealing with a very un-

would pick '15%' as pretty much a minimum, for us. There are two things we have to keep in mind. One is, if we continue to do what our charge is—which is to place advertising that is more effective—we don't always, necessarily, ask for more money as a solution to increasing effectiveness. Second, I don't believe there'll be a major early explosion of new products activity as a result of new tax legisla-

"I think the Reagan Administration's faster depreciation," Mr. Caffrey continued, "may help clients to think in terms of capital expenditures sometime soon, but I think the impact of those new products may be felt beyond 1982, more in 1983 and 1984."

"Stemming from our optimistic view of the economy generally at this juncture, we think that a lot of our categories in the other areas of durables and service businesses should be up as well."

agency will never fail to bear fruit.

■ But here, too, the media experts caution that the picture for their own agencies is complicated by intense swings in different product categories and by ambiguities that are coloring the general business outlook.

Regarding media volume at his shop, Michael Drexler said, "We have about 35% of our billings in package goods, which always seems to be more stable in the face of economic changes because of the basic, inelastic nature of areas in the category itself."

Says Michael Drexler, "Stem-

cost increases, the inflationary area of 8% to 10%. With two-thirds of our revenue coming from package goods accounts, we have some stability built in."

"We also service a significant amount of regional advertisers, and most of their plans call for roll-outs. We see that action as a way of increasing our media volume in 1982."

■ "Our operation in the last two-and-a-half years has seen consistent and solid growth," added Alec Gerster. "Obviously, a lot of things go into that, much more than just the price of media, itself. Some of

usual economy. If you look at real GNP projections, which are modest for almost the full first half of next year; if you look at interest rate levels; growth in the money supply; if you look at all the wonderful things outside the media world, they all suggest some pessimism.

But, at the local level, there is a lot of strength, it seems, and this helps condition our view of budgets next year," Mr. Gerster said.

"Our goals for 1982 are optimistically ahead of what we perceived as general growth for the business," says Kenneth Caffrey. "I

■ "We've had over the last five years a successful track record in terms of growth," says George Karalekas. "We see that continuing into 1982—but, again, being cautiously optimistic we are really looking in the area of around 15% as being quite possibly, a very realistic number. In our view, that gain will come from a combination of things. We anticipate a lot of growth, internally, from our present clients, new business and part of it just normal increases attributable to inflation in media. Also, we see increases in the total budget as a result of competition getting

Coen on costs

(Continued from Page S-2)
all media, but in the short run some media prices react more quickly and to a greater degree than others when demand conditions suddenly change.

■ Comparing advertising exposure costs with cost trends of other goods and services helps explain why advertising budgets have been rising at a faster pace than

the economy. Advertising is a relatively efficient marketing tool and in recent years, with many other selling costs rising so rapidly, it has been more logical to raise advertising budget than to increase the sales staff or maintain price reductions for a fixed proportion of the goods being produced year after year.

The trend in media prices turned sharply upward in 1976 and since

there has been a gradual acceptance of sizable rate increases for most media each year. But the resistance to automatically higher prices in all sectors of our economy is now building and the media will not be exempt.

In 1981 we have seen the consumer price increase come down from 13.5% to a level which could be below 10% for the full year. The GNP deflator gain should be about 9% and by 1982 both these inflation rates should be close to 8%. Media that raise their prices by more than 8% in 1982 will risk an immediate loss in unit volume or at least an

adjustment in the share of advertisers' budgets they receive.

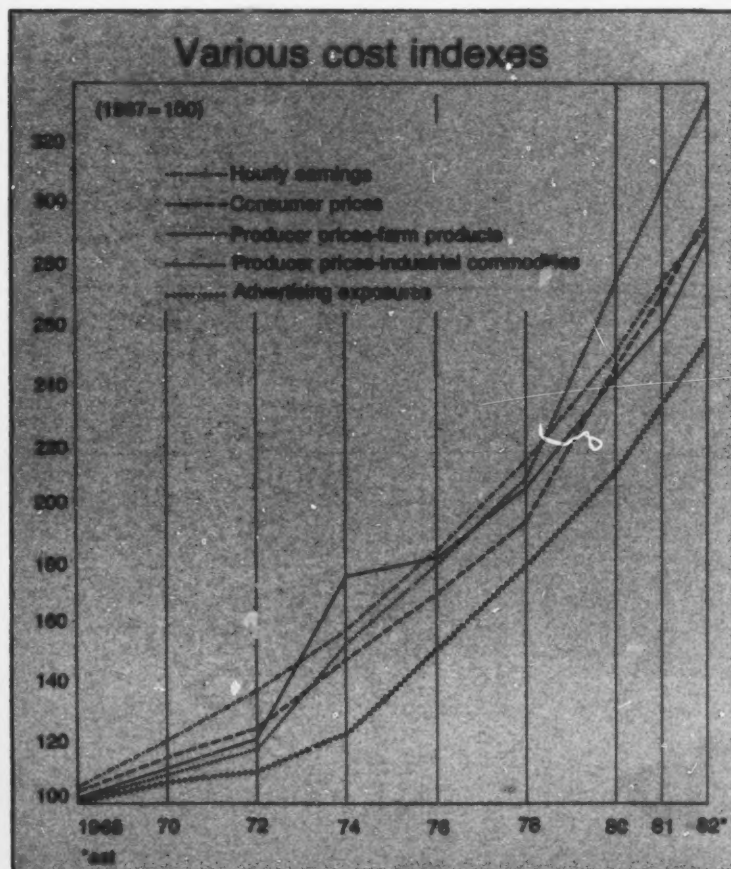
The programs for cutting the U.S. inflation rate may not be totally successful and they may not produce dramatic results immediately, but in the next few years the pace of inflation will definitely ease.

■ Advertising media rates in 1982 will probably rise by a little more than the general inflation rate partly because some key media rates have risen at a relatively modest pace in the last couple of years. Therefore, the upward price

pressures that have accumulated are very likely to show up with the economic upturn expected in 1982.

For the years immediately following 1982 the trend in media prices will be up, but the rate of increase should begin to slow as the resistance to automatic annual rate hikes intensifies.

It will be a long time, if ever, before we return to the days when media rates went up only when audiences or circulation rose. But, the days of automatic and unchallenged rate hikes will soon become part of history in the advertising business.†



Media unit cost trends
(1967=100)

	1978	1979	1980	1981	1982*
Newspapers	207	226	249	274	301
Magazines	182	188	193	198	212
Network tv	282	290	302	330	366
Spot tv	208	220	256	283	308
Network radio	172	191	214	236	262
Spot radio	180	173	182	211	228
Outdoor	226	250	275	303	330
Composite	203	222	244	268	294
National	204	224	246	269	295
Local	201	220	242	267	292

*Estimated

Average annual price increases

Prices	1977	1978	1979	1980	1981
Consumer prices	+ 6.5	+ 7.7	+11.3	+13.5	+10.0
GNP deflator	+ 5.8	+ 7.3	+ 8.5	+ 9.0	+ 9.0
Media CPMS					
Network tv	+18.8	+10.2	+10.3	+ 7.4	+ 9.1
Spot tv	+ 3.4	+ 9.6	+ 9.6	+ 9.8	+10.0
Magazines	+ 6.4	+ 9.0	+ 9.0	+ 9.5	+ 6.9
Newspapers	+ 8.3	+ 8.6	+ 9.2	+10.3	+ 9.8